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DE RUEHGO #1807/01 3521005
ZNR UUUUU ZZH
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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5518
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1269
RUEHBY/AMEMBASSY CANBERRA 0073
RUEHKKA/AMEMBASSY DHAKA 4416
RUEHLO/AMEMBASSY LONDON 1885
RUEHNE/AMEMBASSY NEW DELHI 3665
RUEHUL/AMEMBASSY SEOUL 7171
RUEHTC/AMEMBASSY THE HAGUE 0572
RUEHKO/AMEMBASSY TOKYO 4757
RUEHCI/AMCONSUL CALCUTTA 0996
RUEHCN/AMCONSUL CHENGDU 0999
RUDKIA/AMCONSUL CHIANG MAI 0768
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 2975
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/Joint STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 0638
RUEHBS/USEU BRUSSELS

UNCLAS SECTION 01 OF 02 RANGOON 001807

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STATE FOR EAP/MLS; PACOM FOR FPA, TREASURY FOR OASIA:AJEWELL

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TAGS: [ECON](#) [PGOV](#) [EAGR](#) [EAID](#) [BM](#)
SUBJECT: BURMA'S RICE SUPPLY SHRINKS AFTER OCTOBER FLOODS

REF: A. RANGOON 1783

[1](#)B. RANGOON 1216

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[11.](#) (U) Rumors are have circulated around Rangoon about an impending rice shortage as Burmese officials move rice stocks to provinces in central Burma hit by severe flooding in October. In addition, smuggling, inflated production estimates, poor storage, and inadequate buffer stocks exacerbate the risk. Burmese officials are increasingly concerned and have begun to ask for assistance. End summary

Low Key Pleas For Help Garner Low Key Responses

[12.](#) (SBU) While the GOB refuses to publicly disclose the extensive damage caused by early October flooding (ref A), it has begun to respond to some of the most urgentneds in the afflicted areas. Ministry of Agriculture and Irrigation officials toured the flooded areas in Mandalay Division recently together with FAO and WFP reps, and requested their assistance to rehabilitate some paddy fields. WFP provided 20 metric tons of rice to workers who helped restore an irrigation canal, as the GOB requested. FAO Country Director Tang Zhengping asked for additional emergency assistance from Bangkok FAO headquarters, but was informed that no funds were available. Tang then met with Chinese, Indian and Singaporean Embassy officials to seek their support, but was told that they prefer to make bilateral arrangements directly with the GOB.

[13.](#) (SBU) Government estimates of damage indicate that the floods damaged 200,000 acres of agricultural land in central Burma. 70,000 acres in Kyaukse District used for growing rice, cotton, vegetables and fodder were especially hard hit, and 13,000 acres were severely damaged. The official

newspaper printed a few photos of evacuees receiving cash and rice from government officials and from the regime's mass member political arm, the Union Solidarity and Development Association (USDA), but did not mention the floods, and only stated that households "moved to safer places due to bank erosion."

Where Has All the Rice Gone?

¶4. (SBU) To Flooded Areas: Embassy Agricultural Specialist leaned that the GOB moved most or all of its surplus rice stocks to flood-affected areas in Mandalay and Sagaing Divisions and in Shan State, forcing rice traders to close the small shops they established to sell price-controlled rice in Rangoon (ref B). The quality of rice currently sold in the Rangoon main markets is poor, but traders believe enough of the old crop is available to last until a new crop is harvested in January and February 2007. However, many rice merchants are concerned about adequate rice supplies in mid-2007, when the new rice crop is depleted and stores may not be adequate to cover any shortages before the October monsoon harvest.

¶5. (SBU) Almost Exported: This year, officials allowed export of rice to other countries only in June. While authorities have not instituted an official ban, permits to export can be refused. Only the Myanmar Economic Corporation (MEC), run by the regime, has a valid permit to export rice. One trading contact said the MEC attempted to export rice stocks earlier this year to earn hard currency, but could not find any international buyer willing to pay for the poor quality supplies it offered, so the MEC sold the rice on the domestic market and will try again with rice from the new harvest in January.

¶6. (SBU) It Never Existed: Officials also are faced with

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shortages caused by their own inflated production figures. The GOB claims that 17 million acres of paddy have been planted, but contacts in the industry and farmers told us that the cultivated acreage has not increased this year, and that 14 million acres remains more likely. Private sector reps also inflate their yields to gain permission to export a fictional "surplus." Contacts at the Ministry of Agriculture and Irrigation report ongoing internal conflicts over the discrepancies between official figures and non-existent stocks.

¶7. (U) Smuggled: One rumor repeated around Rangoon is that up to 500,000 metric tons (MT) of rice were smuggled out of Burma this year. The main routes are Muse-Ruili (China), Tachilek-Mae Sai (Thailand) and Ranong-Kawthoung (Thailand), and islands off the coast of Rakhine State to Bangladesh. Traders concede that some smuggling occurs, but say the claimed volume is not possible, given the 40 MT weight limit of most trucks and tighter border controls. Contacts in the import/export business suspect that the private sector created this story to encourage the GOB to allow more legal exports.

¶8. (SBU) Hoarded: In an attempt to discourage speculation, authorities barred U Nyein, former Chairman of the Rice/Paddy Traders Association, from trading any rice for one year. He was also assessed K.30 million (USD 24,000) in tax on the hoarded rice that officials discovered in his Rangoon warehouse. Inexperience caused some new traders to store their rice stocks for too long, which resulted in significant spoilage and waste. To better monitor the market, the Association now demands that new entrants into the rice trade provide prior notification before entering the business.

¶9. (SBU) Comment: Burma once was, and could be, a major rice exporter. In trying to protect and control the supply and price of rice, Burma's staple, the regime tends to follow one ill-advised decision with another. Frequent and

unpredictable government interventions create disincentives for farmers, disrupt efficient market mechanisms, and result in less information, less transparency, and ultimately less rice. Given the steadily declining economy in general, rice shortages would significantly weaken the regime. Thus they will try to monitor the situation closely, but can do little to correct the situation in the short to medium term, and have not reached the stage where they would contemplate long term reforms. End Comment.

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